

**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MENIFEE COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Meniffee County Fiscal Court for the fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$1,912,119 as of June 30, 2007. The fiscal court had unrestricted net assets of \$159,948 in its governmental activities as of June 30, 2007, with total net assets of \$1,912,119. The fiscal court had total debt principal as of June 30, 2007 of \$3,804,835 with \$80,835 due within the next year.

Report Comments:

- 2007-01 The Fiscal Court Does Not Have A Formal Policy For Collecting Ambulance Service Delinquent Accounts
- 2007-02 The Fiscal Court Does Not Have A Formal Policy For Solid Waste Collections And Has Delinquent Accounts That Exceed \$136,000
- 2007-03 Delinquent Solid Waste Bills Totaling \$12,167 Were Waived Without Fiscal Court Approval
- 2007-04 Former County Judge/Executive J. D. Trimble Was Reimbursed \$11,500 Without Proper Supporting Documentation
- 2007-05 The General Fund Owes The Road Fund \$28,434 For Money Restricted For Roads
- 2007-06 The Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Governor's Office For Local Development (GOLD)
- 2007-07 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund
- 2007-08 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2007-09 The Fiscal Court Should Ensure All Eligible Employees Are Receiving Retirement Benefits
- 2007-10 Cash Transfers Totaling \$305,815 Were Not Approved By The Fiscal Court
- 2007-11 Appropriation Ledgers Were Not Maintained By The County Judge/Executive

Deposits:

The Fiscal Court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Menifee County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Menifee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Jonathan Miller, Secretary
 Finance and Administration Cabinet
 Honorable Hershell Sexton, Menifee County Judge/Executive
 Members of the Menifee County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Menifee County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2008, on our consideration of Menifee County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The Fiscal Court Does Not Have A Formal Policy For Collecting Ambulance Service Delinquent Accounts
- 2007-02 The Fiscal Court Does Not Have A Formal Policy For Solid Waste Collections And Has Delinquent Accounts That Exceed \$136,000
- 2007-03 Delinquent Solid Waste Bills Totaling \$12,167 Were Waived Without Fiscal Court Approval
- 2007-04 Former County Judge/Executive J. D. Trimble Was Reimbursed \$11,500 Without Proper Supporting Documentation
- 2007-05 The General Fund Owes The Road Fund \$28,434 For Money Restricted For Roads
- 2007-06 The Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Governor's Office For Local Development
- 2007-07 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund
- 2007-08 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2007-09 The Fiscal Court Should Ensure All Eligible Employees Are Receiving Retirement Benefits
- 2007-10 Cash Transfers Totaling \$305,815 Were Not Approved By The Fiscal Court
- 2007-11 Appropriation Ledgers Were Not Maintained By The County Judge/Executive

Respectfully submitted,



Crit Luallen
 Auditor of Public Accounts

January 29, 2008

MENIFEE COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Hershell Sexton	County Judge/Executive
Bob Ross	Magistrate
Joe Thomas	Magistrate
Stacy Smallwood	Magistrate
Glenn Mullins	Magistrate
Mike Hall	Magistrate

Other Elected Officials:

Greg Hall	County Attorney
Jason C. Stull	Jailer
Jo Ann Spencer	County Clerk
Karen Wells-Sorrell	Circuit Court Clerk
Rodney Coffey	Sheriff
Jim Lawson	Property Valuation Administrator
Mike Perry	Coroner

Appointed Personnel:

Phyllis Walker	County Treasurer
Barbara Bowman	Finance Officer
Loyd Roe	Road Supervisor

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MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 170,354
Total Current Assets	<u>170,354</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	403,978
Buildings	3,943,878
Vehicles	188,159
Machinery and Equipment	382,718
Office Equipment	47,124
Infrastructure Assets - Net of Depreciation	<u>580,743</u>
Total Noncurrent Assets	<u>5,546,600</u>
Total Assets	<u>5,716,954</u>
LIABILITIES	
Current Liabilities:	
Notes Payable	5,500
Financing Obligations Payable	<u>75,335</u>
Total Current Liabilities	<u>80,835</u>
Noncurrent Liabilities:	
Bonds Payable	2,720,000
Notes Payable	189,000
Financing Obligations Payable	<u>815,000</u>
Total Noncurrent Liabilities	<u>3,724,000</u>
Total Liabilities	<u>3,804,835</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,741,765
Restricted For:	
Debt Service	10,406
Unrestricted	<u>159,948</u>
Total Net Assets	<u>\$ 1,912,119</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,663,283	\$ 44,408	\$ 72,171	\$ 557
Protection to Persons and Property	663,004	277,733	442,772	20,000
General Health and Sanitation	350,475		112,714	1,062
Social Services	57,746			
Recreation and Culture	41,105	7,804		
Roads	535,529		935,153	
Debt Service	409,589		84,519	
Capital Projects	2,929			
Total Governmental Activities	\$ 3,723,660	\$ 329,945	\$ 1,647,329	\$ 21,619

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues
and Changes in Net Assets
Primary Government

Governmental
Activities

\$ (1,546,147)
77,501
(236,699)
(57,746)
(33,301)
399,624
(325,070)
(2,929)
(1,724,767)

167,905
7,063
57,806
961,436
3,983
17,761
137,936
1,353,890
(370,877)
2,282,996
\$ 1,912,119

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Ambulance Fund	Health Tax Fund	Public Properties Corporation Fund
ASSETS					
Cash and Cash Equivalents	\$ 69,417	\$ 12,299	\$ 5,113	\$ 67,521	\$ 10,406
Interfund Receivable		28,434			
Total Assets	<u>69,417</u>	<u>40,733</u>	<u>5,113</u>	<u>67,521</u>	<u>10,406</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Interfund Payable	\$ 28,434	\$	\$	\$	\$
Total Liabilities	<u>28,434</u>				
FUND BALANCES					
Unreserved:					
General Fund	40,983				
Special Revenue Funds		40,733	5,113	67,521	
Debt Service Fund					10,406
Total Fund Balances	<u>40,983</u>	<u>40,733</u>	<u>5,113</u>	<u>67,521</u>	<u>10,406</u>
Total Liabilities and Fund Balances	<u>\$ 69,417</u>	<u>\$ 40,733</u>	<u>\$ 5,113</u>	<u>\$ 67,521</u>	<u>\$ 10,406</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
\$ 5,598	\$ 170,354
	28,434
<u>5,598</u>	<u>198,788</u>

\$	\$ 28,434
	<u>28,434</u>

	40,983
5,598	118,965
	<u>10,406</u>
<u>5,598</u>	<u>170,354</u>
<u>\$ 5,598</u>	<u>\$ 198,788</u>

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 170,354
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	6,884,497
Accumulated Depreciation	(1,337,897)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(890,335)
Note Payable	(194,500)
Bonded Debt	<u>(2,720,000)</u>
Net Assets Of Governmental Activities	<u>\$ 1,912,119</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Ambulance Fund	Health Tax Fund
REVENUES				
Taxes	\$ 918,357	\$ 67,353	\$	\$ 74,699
In Lieu Tax Payments	57,840			
Excess Fees	3,983			
Licenses and Permits	3,647			800
Intergovernmental	214,502	941,937	11,746	
Charges for Services			274,583	
Miscellaneous	365,514	16,490	522	150
Interest	1,862	2,738	159	532
Total Revenues	<u>1,565,705</u>	<u>1,028,518</u>	<u>287,010</u>	<u>76,181</u>
EXPENDITURES				
General Government	831,848			
Protection to Persons and Property	75,989		378,652	
General Health and Sanitation	230,817	9,871		61,985
Social Services	28,800	3,798		
Recreation and Culture				
Roads		696,049		
Debt Service	120,912	23,860		
Capital Projects	1,929			1,000
Administration	319,583	168,044	144,986	
Total Expenditures	<u>1,609,878</u>	<u>901,622</u>	<u>523,638</u>	<u>62,985</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(44,173)</u>	<u>126,896</u>	<u>(236,628)</u>	<u>13,196</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Bonds				
Net Discount on Bond Issuance Proceeds				
Payments to Refunded Bond Escrow Agent				
Financing Obligations Proceeds	105,000			
Transfers From Other Funds	240,868	662	229,012	
Transfers To Other Funds	(344,447)	(224,868)	(8,059)	
Total Other Financing Sources (Uses)	<u>1,421</u>	<u>(224,206)</u>	<u>220,953</u>	
Net Change in Fund Balances	(42,752)	(97,310)	(15,675)	13,196
Fund Balances - Beginning	83,735	138,043	20,788	54,325
Fund Balances - Ending	<u>\$ 40,983</u>	<u>\$ 40,733</u>	<u>\$ 5,113</u>	<u>\$ 67,521</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 71,195	\$ 1,131,604
		57,840
		3,983
		4,447
84,519	165,770	1,418,474
	9,444	284,027
250	51,721	434,647
12,023	447	17,761
<u>96,792</u>	<u>298,577</u>	<u>3,352,783</u>
	42,190	874,038
	279,614	734,255
	23,866	326,539
	25,148	57,746
	37,295	37,295
		696,049
102,827	14,850	262,449
		2,929
37,750	57,235	727,598
<u>140,577</u>	<u>480,198</u>	<u>3,718,898</u>
<u>(43,785)</u>	<u>(181,621)</u>	<u>(366,115)</u>
2,720,000		2,720,000
(33,854)		(33,854)
(2,844,051)		(2,844,051)
		105,000
	198,328	668,870
	(91,496)	(668,870)
<u>(157,905)</u>	<u>106,832</u>	<u>(52,905)</u>
(201,690)	(74,789)	(419,020)
212,096	80,387	589,374
<u>\$ 10,406</u>	<u>\$ 5,598</u>	<u>\$ 170,354</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (419,020)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	375,870
Depreciation Expense	(233,492)

Debt Proceeds Provide a Current Financial Resource to Governmental Funds While Debt Principal Payments Are Expensed In the Governmental Funds as a Use of Current Financial Resources. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(105,000)
Notes Payable Principal Payments	5,000
Financing Obligations Principal Payments	100,765
Net Bond Proceeds	(2,686,146)
Payment to Refunded Bond Escrow Agent	2,844,051
Change in Long-term Debt as a Result of Refunding Bonds	<u>(252,905)</u>

Change in Net Assets of Governmental Activities	<u>\$ (370,877)</u>
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TO THE FINANCIAL STATEMENTS**

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**MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Meniffee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Menifee County Public Properties Corporation:

The Menifee County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Menifee County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

C. Menifee County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Menifee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Menifee County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business-type activities or fiduciary funds.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The purpose of this fund is to account for receipts and expenditure of the ambulance service. This fund was shown as a proprietary fund in the prior year.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Health Tax Fund – The purpose of this fund is to account for receipts from property taxes collected and then distributed to the health department.

Menifee County Public Properties Corporation Fund – This fund issued the debt for the construction of the courthouse annex. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the courthouse annex.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, Animal Shelter Fund, and 911 Fund.

Special Revenue Funds:

The Road Fund, Ambulance Fund, Health Tax Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, Animal Shelter Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

Menifee County Public Properties Corporation Fund – The purpose of this fund is to account for the activities of the Menifee County Public Properties Corporation. The Menifee County Public Properties Corporation issued debt to renovate the courthouse. The Menifee County Public Properties Corporation entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the “AOC”), in which AOC uses and subleases all or a portion of certain facilities owned or constructed by or on behalf of the County. This requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

E. Deposits and Investments

The government’s cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” is purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Menifee County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Governor’s Office for Local Development does not require this fund to be budgeted.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility of the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 403,978	\$	\$	\$ 403,978
Total Capital Assets Not Being Depreciated	403,978			403,978
Capital Assets, Being Depreciated:				
Buildings	4,717,399			4,717,399
Vehicles	330,462	103,825		434,287
Machinery and Equipment	570,748			570,748
Office Equipment	28,710	48,750		77,460
Infrastructure	457,330	223,295		680,625
Total Capital Assets Being Depreciated	6,104,649	375,870		6,480,519
Less Accumulated Depreciation For:				
Buildings	(701,595)	(71,926)		(773,521)
Vehicles	(185,351)	(60,777)		(246,128)
Machinery and Equipment	(150,964)	(37,066)		(188,030)
Office Equipment	(21,063)	(9,273)		(30,336)
Infrastructure	(45,432)	(54,450)		(99,882)
Total Accumulated Depreciation	(1,104,405)	(233,492)		(1,337,897)
Total Capital Assets, Being Depreciated, Net	5,000,244	142,378		5,142,622
Governmental Activities Capital Assets, Net	\$ 5,404,222	\$ 142,378	\$ 0	\$ 5,546,600

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 61,647
Protection to Persons and Property	63,824
General Health and Sanitation	23,936
Recreation and Culture	3,810
Roads, Including Depreciation of General Infrastructure Assets	80,275
Total Depreciation Expense - Governmental Activities	\$ 233,492

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt

A. Refunding Revenue Bonds, Series 2006

On May 1, 2000, the Menifee County Public Properties Corporation issued \$2,845,000 in First Mortgage Revenue Bonds, Series 2000, for the purpose of renovating the existing courthouse facility. The bonds were defeased on December 1, 2006. \$2,844,051 was paid to the escrow agent to refund the outstanding balance on this debt. Neither the escrow account nor the liability is included in the financial statements.

On December 1, 2006, the Menifee County Public Properties Corporation issued \$2,720,000 of First Mortgage Refunding Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The 2000 series bonds were issued to renovate the existing courthouse facility and construct a new courthouse annex. The county entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year commencing March 1, 2007. Principal payments are payable annually commencing March 1, 2009. The total principal balance outstanding as of June 30, 2007 was \$2,720,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$	\$ 106,945
2009	65,000	106,945
2010	85,000	104,670
2011	85,000	101,695
2012	90,000	98,720
2013-2017	505,000	442,625
2018-2022	610,000	339,530
2023-2027	755,000	206,260
2028-2031	525,000	44,940
Totals	<u>\$ 2,720,000</u>	<u>\$ 1,552,330</u>

B. Note Payable, United States Department of Agriculture

The Menifee County Fiscal Court entered into a 30-year note payable in the amount of \$233,000 due to the United States Department of Agriculture, Rural Development bearing interest at a rate of 5%. The note requires semiannual interest payments due in June and December of each year and annual principal payments due in December of each year. As of June 30, 2007, the principal balance remaining was \$194,500. Future principal and interest requirements are:

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

B. Note Payable, United States Department of Agriculture (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 5,500	\$ 9,725
2009	5,500	9,450
2010	6,000	9,175
2011	6,500	8,875
2012	6,500	8,550
2013-2017	38,500	37,475
2018-2022	49,000	26,850
2023-2027	62,500	13,350
2028	14,500	725
Totals	<u>\$ 194,500</u>	<u>\$ 124,175</u>

C. Financing Obligations, Courthouse Renovation, and Industrial Park Improvements

On September 12, 2001, the Meniffee County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust for various projects including courthouse renovation and industrial park improvements in the amount of \$785,000. The agreement requires two semiannual interest payments be made in March and September of each year commencing March 1, 2002. Principal payments are due in September of each year commencing September 1, 2002, to be paid in full September 1, 2026. As of June 30, 2007, the principal balance remaining was \$670,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 25,000	\$ 34,642
2009	30,000	33,378
2010	30,000	31,997
2011	30,000	30,588
2012	30,000	29,147
2013-2017	180,000	120,469
2018-2022	240,000	64,220
2023-2027	105,000	15,260
Totals	<u>\$ 670,000</u>	<u>\$ 359,701</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

D. Financing Obligations, Insurance Premium Repayment

On March 21, 2002, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$205,000. The funds were used to pay a settlement with Ohio Casualty Company relating to an overpayment of insurance premium taxes paid by Ohio Casualty Company to the Menifee County Fiscal Court. The agreement requires two semiannual interest payments be made in May and November of each year commencing November 1, 2002. Principal payments are due in May of each year commencing May 1, 2003, to be paid in full May 1, 2012. As of June 30, 2007, the principal balance remaining was \$115,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 20,000	\$ 5,635
2009	20,000	4,655
2010	25,000	3,675
2011	25,000	2,450
2012	25,000	1,225
Totals	<u>\$ 115,000</u>	<u>\$ 17,640</u>

E. Financing Obligations, Kentucky Area Development District Financing Trust

On June 29, 2006, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development District Financing Trust in the amount of \$105,000. The agreement requires two semiannual interest payments to be paid in January and July of each year commencing January 1, 2007. Principal payments are due in July of each year commencing July 1, 2007, to be paid in full on July 1, 2013. As of June 30, 2007, the principal balance remaining was \$90,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 15,000	\$ 3,960
2009	15,000	3,315
2010	15,000	2,670
2011	15,000	2,010
2012	15,000	1,350
2013	15,000	675
Totals	<u>\$ 90,000</u>	<u>\$ 13,980</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

F. Financing Obligations, Caterpillar 12G Grader

In July 2003, the Menifee County Fiscal Court entered into an agreement for a 12G Grader with Caterpillar Financial Services Corporation in the amount of \$64,250. The lease requires monthly payments of \$1,179 for 60 months at an interest rate of 3.75%. As of June 30, 2007, the principal balance remaining was \$13,885. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 13,885	\$ 266
Totals	<u>\$ 13,885</u>	<u>\$ 266</u>

G. Financing Obligations, Caterpillar 914G Grader

In September 2003, the Menifee County Fiscal Court entered into an agreement for a 914G grader with Caterpillar Financial Services Corporation in the amount of \$32,350. The lease requires monthly payments of \$728 for 48 months at an interest rate of 4.0%. As of June 30, 2007, the principal balance remaining was \$1,450. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 1,450	\$ 7
Totals	<u>\$ 1,450</u>	<u>\$ 7</u>

H. Financing Obligations, Ambulance Purchase

On June 3, 2004, the Menifee County Fiscal Court entered into an agreement with Kansas State Bank of Manhattan for an ambulance in the amount of \$67,500. The agreement requires one principal and interest payment each year for three years commencing on May 1, 2005. During fiscal year ending June 30, 2007, the final principal payment in the amount of \$18,898 was paid.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds, 2000 Series (a)	\$ 2,625,000	\$	\$2,625,000	\$	\$
Refunding Revenue Bonds, 2006 Series		2,720,000		2,720,000	
Note Payable	\$ 199,500		5,000	194,500	5,500
Financing Obligations	886,100	105,000	100,765	890,335	75,335
Governmental Activities Long-term Liabilities	<u>\$ 3,710,600</u>	<u>\$ 2,825,000</u>	<u>\$ 2,730,765</u>	<u>\$ 3,804,835</u>	<u>\$ 80,835</u>

- (a) The \$2,625,000 of reductions for Revenue Bonds, 2000 Series, was the result of a refunding bond issue. This amount is not reflected in the financial statements as a bond payment but rather is included in the financial statements under other financing uses as payments to refunded bond escrow agent.

Note 5. Interest on Long-term Debt

Debt Service on the Financial Statement includes \$156,684 of interest on long-term debt. Also, there was a change in long-term debt in the amount of \$252,905 as a result of a refunding bond issue included in Debt Service.

Note 6. Employee Retirement System

The Fiscal Court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 7. Deferred Compensation

The Menifee County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2007, Menifee County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Transfers From Restricted Funds

The county transferred restricted money in the amount of \$28,434 from the Road Fund to the General Fund. As of June 30, 2007, the General Fund owes the Road Fund \$28,434.

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MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 851,500	\$ 852,064	\$ 918,357	\$ 66,293
In Lieu Tax Payments	8,000	8,000	57,840	49,840
Excess Fees	5,415	5,541	3,983	(1,558)
Licenses and Permits	2,550	2,550	3,647	1,097
Intergovernmental Revenue	113,900	187,625	214,502	26,877
Miscellaneous	337,088	350,780	365,514	14,734
Interest	3,000	3,000	1,862	(1,138)
Total Revenues	<u>1,321,453</u>	<u>1,409,560</u>	<u>1,565,705</u>	<u>156,145</u>
EXPENDITURES				
General Government	806,597	851,485	831,848	19,637
Protection to Persons and Property	5,507	77,536	75,989	1,547
General Health and Sanitation	189,210	234,203	230,817	3,386
Social Services	16,000	8,800	28,800	(20,000)
Debt Service	333,541	453,521	120,912	332,609
Capital Projects		1,929	1,929	
Administration	300,280	333,053	319,583	13,470
Total Expenditures	<u>1,651,135</u>	<u>1,960,527</u>	<u>1,609,878</u>	<u>350,649</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(329,682)</u>	<u>(550,967)</u>	<u>(44,173)</u>	<u>506,794</u>
OTHER FINANCING SOURCES (USES)				
Kentucky Advance Revenue Program Proceeds	207,000	207,000		(207,000)
Kentucky Area Development Districts Proceeds		103,163	105,000	1,837
Transfers From Other Funds	222,690	222,690	269,302	46,612
Transfers To Other Funds	<u>(192,008)</u>	<u>(192,670)</u>	<u>(344,447)</u>	<u>(151,777)</u>
Total Other Financing Sources (Uses)	<u>237,682</u>	<u>340,183</u>	<u>29,855</u>	<u>(310,328)</u>
Net Changes in Fund Balance	(92,000)	(210,784)	(14,318)	196,466
Fund Balance - Beginning	<u>92,000</u>	<u>172,084</u>	<u>83,735</u>	<u>(88,349)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (38,700)</u>	<u>\$ 69,417</u>	<u>\$ 108,117</u>

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 69,417
Restricted Transfers Payable	<u>(28,434)</u>
Fund Balance - Ending	<u>\$ 40,983</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 47,000	\$ 47,000	\$ 67,353	\$ 20,353
Intergovernmental Revenue	1,076,236	1,101,483	941,937	(159,546)
Miscellaneous	1,000	31,256	16,490	(14,766)
Interest	2,650	2,650	2,738	88
Total Revenues	<u>1,126,886</u>	<u>1,182,389</u>	<u>1,028,518</u>	<u>(153,871)</u>
EXPENDITURES				
General Health and Sanitation	14,000	14,000	9,871	4,129
Social Services		11,195	3,798	7,397
Roads	585,005	752,066	696,049	56,017
Debt Service	22,888	23,860	23,860	
Administration	302,303	179,757	168,044	11,713
Total Expenditures	<u>924,196</u>	<u>980,878</u>	<u>901,622</u>	<u>79,256</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>202,690</u>	<u>201,511</u>	<u>126,896</u>	<u>(74,615)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		662	662	
Transfers To Other Funds	<u>(222,690)</u>	<u>(222,690)</u>	<u>(253,302)</u>	<u>(30,612)</u>
Total Other Financing Sources (Uses)	<u>(222,690)</u>	<u>(222,028)</u>	<u>(252,640)</u>	<u>(30,612)</u>
Net Changes in Fund Balance	(20,000)	(20,517)	(125,744)	(105,227)
Fund Balance - Beginning	<u>20,000</u>	<u>138,043</u>	<u>138,043</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 117,526</u>	<u>\$ 12,299</u>	<u>\$ (105,227)</u>

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 12,299
Restricted Transfers Receivable	<u>28,434</u>
Fund Balance - Ending	<u>\$ 40,733</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 50,000	\$ 51,745	\$ 11,746	\$ (39,999)
Charges for Services	290,000	290,000	274,583	(15,417)
Miscellaneous		429	522	93
Interest	100	100	159	59
Total Revenues	340,100	342,274	287,010	(55,264)
EXPENDITURES				
Protection to Persons and Property	334,249	380,632	378,652	1,980
Administration	121,316	145,649	144,986	663
Total Expenditures	455,565	526,281	523,638	2,643
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(115,465)	(184,007)	(236,628)	(52,621)
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(8,059)	(8,059)
Transfers From Other Funds	110,465	110,465	229,012	118,547
Total Other Financing Sources (Uses)	110,465	110,465	220,953	110,488
Net Changes in Fund Balances	(5,000)	(73,542)	(15,675)	57,867
Fund Balances - Beginning	5,000	20,788	20,788	
Fund Balances - Ending	\$ 0	\$ (52,754)	\$ 5,113	\$ 57,867

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

HEALTH TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 61,660	\$ 61,660	\$ 74,699	\$ 13,039
Licenses and Permits	1,000	1,000	800	(200)
Intergovernmental Revenue	40	40		(40)
Miscellaneous	1,100	1,100	150	(950)
Interest	200	200	532	332
Total Revenues	64,000	64,000	76,181	12,181
EXPENDITURES				
General Health and Sanitation	62,150	66,088	61,985	4,103
Capital Projects			1,000	(1,000)
Administration	11,850	52,237		52,237
Total Expenditures	74,000	118,325	62,985	55,340
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(10,000)	(54,325)	13,196	67,521
Net Changes in Fund Balances	(10,000)	(54,325)	13,196	67,521
Fund Balances - Beginning	10,000	54,325	54,325	
Fund Balances - Ending	\$ 0	\$ 0	\$ 67,521	\$ 67,521

**MENIFEE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,202	\$ 14	\$ 27	\$ 171
Total Assets	<u>2,202</u>	<u>14</u>	<u>27</u>	<u>171</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 2,202	\$ 14	\$ 27	\$ 171
Total Fund Balances	<u>\$ 2,202</u>	<u>\$ 14</u>	<u>\$ 27</u>	<u>\$ 171</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2007
(Continued)

Wellness Fund	Building Commission Fund	Animal Shelter Fund	911 Fund	Total Non-Major Governmental Funds
\$ 2,763	\$ 413	\$	\$ 8	\$ 5,598
<u>2,763</u>	<u>413</u>	<u>0</u>	<u>8</u>	<u>5,598</u>
\$ 2,763	\$ 413	\$ 0	\$ 8	\$ 5,598
<u>\$ 2,763</u>	<u>\$ 413</u>	<u>\$ 0</u>	<u>\$ 8</u>	<u>\$ 5,598</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	74,524	74,491		5,755
Charges for Services	1,640			7,804
Miscellaneous	58	9	10	3,085
Interest	74	216	23	44
Total Revenues	<u>76,296</u>	<u>74,716</u>	<u>33</u>	<u>16,688</u>
EXPENDITURES				
General Government		1,238		
Protection to Persons and Property	183,520			
General Health and Sanitation		23,836		
Social Services		18,000	7,148	
Recreation and Culture				37,295
Debt Service				
Administration	16,629			2,608
Total Expenditures	<u>200,149</u>	<u>43,074</u>	<u>7,148</u>	<u>39,903</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(123,853)</u>	<u>31,642</u>	<u>(7,115)</u>	<u>(23,215)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	125,050	14,704		12,250
Transfers To Other Funds		(91,496)		
Total Expenditures	<u>125,050</u>	<u>(76,792)</u>		<u>12,250</u>
Net Change in Fund Balances	1,197	(45,150)	(7,115)	(10,965)
Fund Balances - Beginning	1,005	45,164	7,142	11,136
Fund Balances - Ending	<u>\$ 2,202</u>	<u>\$ 14</u>	<u>\$ 27</u>	<u>\$ 171</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007
(Continued)

Wellness Fund	Building Commission Fund	Animal Shelter Fund	911 Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$ 71,195	71,195
			11,000	165,770
				9,444
8	47,583	16	952	51,721
26			64	447
34	47,583	16	83,211	298,577
1,519	39,433			42,190
			96,094	279,614
		30		23,866
				25,148
				37,295
	14,850			14,850
300	1,000		36,698	57,235
1,819	55,283	30	132,792	480,198
(1,785)	(7,700)	(14)	(49,581)	(181,621)
	7,600		38,724	198,328
				(91,496)
	7,600		38,724	106,832
(1,785)	(100)	(14)	(10,857)	(74,789)
4,548	513	14	10,865	80,387
\$ 2,763	\$ 413	\$ 0	\$ 8	\$ 5,598

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 29, 2008. Menifee County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menifee County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Menifee County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2007-01, 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, and 2007-08.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Menifee County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matter that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2007-09, 2007-10, and 2007-11.

The Menifee County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

January 29, 2008

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2007

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2007

SIGNIFICANT DEFICIENCIES:

2007-01 The Fiscal Court Does Not Have A Formal Policy For Collecting Ambulance Service Delinquent Accounts

The Fiscal Court does not have a formal policy and has not implemented procedures to collect delinquent ambulance service accounts as recommended in the prior year audit report. The Fiscal Court could not provide a listing of delinquent accounts as of June 30, 2007, however as of the date of this report the fiscal court had \$136,249 in delinquent accounts over 30 days old. Of this amount, \$6,566 was over 30 days, \$14,581 was over 60 days, \$17,297 was over 90 days, and \$97,805 was over 120 days. On August 2, 2007, the Fiscal Court sent \$53,613 in delinquent tax bills to a collection agency to pursue collection on behalf of the county. The collection agency has collected \$410 as of the date of this report. Since the Fiscal Court is on a modified cash basis of accounting these receivables will not be reflected in the financial statements. Good cash management dictates that the Fiscal Court should have written policies and procedures in place relating to the collection of delinquent ambulance service accounts. We recommend the Fiscal Court immediately implement a formal policy on collecting delinquent ambulance service accounts and seek guidance from the County Attorney.

County Judge/Executive Hershell Sexton's Response:

The judge/executive office and ambulance personnel are writing policies and procedures for fiscal court approval. Department heads will be responsible to see that policies are followed.

2007-02 The Fiscal Court Does Not Have A Formal Policy For Solid Waste Collections And Has Delinquent Accounts That Exceed \$136,000

The Fiscal Court does not have a formal policy for procedures relating to solid waste collections including delinquent accounts. The Fiscal Court could not provide a listing of delinquent accounts as of June 30, 2007. However, as of the date of this report the fiscal court records indicate that \$136,513 of accounts is past due and over 90 days old. Since the Fiscal Court is on a modified cash basis of accounting these receivables will not be reflected in the financial statements. Good cash management dictates that the Fiscal Court has written policies and procedures in place relating to the collection of solid waste bills including provisions relating to delinquent accounts. Since customers are billed quarterly the amount collected plus delinquent accounts should be reconciled to the total amount billed each quarter. We recommend the Fiscal Court immediately implement written policies and procedures relating to solid waste collections including provisions for delinquent bills. Further, a listing of delinquent bills should be maintained along with collected bills that reconcile to the total amount billed each quarter.

County Judge/Executive Hershell Sexton's Response:

The fiscal court has a verbal policy that will be written and accepted by the fiscal court and the judge/executive will see that it is implemented.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2007
(Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

2007-03 Delinquent Solid Waste Bills Totaling \$12,167 Were Waived Without Fiscal Court Approval

Delinquent solid waste bills totaling \$12,167 were waived without Fiscal Court approval. The County Judge/Executive approved waiving \$6,542 of delinquent bills which had both a resident account and a business account for a dumpster. The remaining \$5,625 was waived because the dwellings were unoccupied for various reasons. A formal policy should be approved by the Fiscal Court to determine the appropriate steps of waiving money owed to the county. We recommend the Fiscal Court with the guidance of the County Attorney implement a formal policy to address the waiver of delinquent solid waste bills. Until a formal policy is implemented addressing this issue the County Judge/Executive should not waive any additional solid waste bills.

County Judge/Executive Hershell Sexton's Response:

The fiscal court has a verbal policy that will be written and accepted by the fiscal court and the judge/executive will see that it is implemented.

2007-04 Former County Judge/Executive J. D. Trimble Was Reimbursed \$11,500 Without Proper Supporting Documentation

On November 14, 2006, the Fiscal Court paid former County Judge/Executive J. D. Trimble \$11,500. According to the former County Judge/Executive this was reimbursement for equipment he personally purchased for the county during 2003. He stated the equipment purchased was a 1994 Ford truck and a 1988 tractor with a mower costing \$3,500 and \$8,000 respectively.

We could not find fiscal court approval of these purchases nor could fiscal court provide us with supporting documentation for the \$11,500 reimbursement. However, County Clerk records did indicate there was a 1994 Ford truck titled during 2003 in the name of Meniffee County Fiscal Court for \$3,500. The former County Judge/Executive provided us with copies of checks he said were used to pay for the tractor and mower but did not have an invoice for the purchase. Due to lack of documentation, we cannot provide any assurance these purchases were appropriate. We recommend Fiscal Court ensure they have proper supporting documentation for all expenditures prior to payment. In addition, we recommend the County Attorney review these transactions to determine if they were appropriate and if additional action is necessary.

County Judge/Executive Hershell Sexton's Response:

This is a new administration. All purchases by this administration will be appropriate.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2007
(Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

2007-05 The General Fund Owes The Road Fund \$28,434 For Money Restricted For Roads

During the fiscal year ended June 30, 2007, the Fiscal Court transferred \$252,640 from the Road Fund to the General Fund. According to the Road Fund Cost Allocation Worksheet \$224,206 was approved for transfer to the General Fund leaving \$28,434 due back to the Road Fund. All Road Fund monies are restricted for road expenditures, except for the amount calculated on the Road Fund Allocation Worksheet administrative costs. Since this allocation was overspent, the Fiscal Court should reimburse the Road Fund \$28,434.

County Judge/Executive Hershell Sexton's Response:

Will be done with more strict controls in the future.

2007-06 The Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Governor's Office For Local Development

The purchase orders prepared by the fiscal court did not indicate the appropriation account number and were not checked to see if they exceeded the available line item budget. In addition, encumbrances were not reported on the 4th quarter financial report submitted to the Governor's Office for Local Development (GOLD). The following procedures should be implemented for all funds to meet the requirements as prescribed by the State Local Finance Officer:

- Purchases shall not be made without approval by the Judge/Executive (or designee), and/or a department head.
- Purchase requests shall indicate the proper appropriation account number to which the claim will be posted.
- Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary appropriation transfers have been made.
- Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the department head and the Judge/Executive (or designee) who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.

We recommend the Fiscal Court immediately implement these procedures and report encumbrances appropriately on the 4th quarter financial report submitted to GOLD. This matter will be referred to GOLD for review.

County Judge/Executive Hershell Sexton's Response:

All of the above is being done.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2007
(Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

2007-07 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund

The Fiscal Court should require that proper records be maintained for the Meniffee County Public Properties Corporation. Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation, it is a blended component unit of the Fiscal Court. The Public Properties Corporation Fund issued the debt for the courthouse annex/renovation and receives payments from the Administrative Office of the Courts to make the necessary debt service payments. The Fiscal Court should designate someone to receive the bank statements for the Public Properties Corporation, maintain a receipts and disbursements ledger, and prepare a financial statement.

County Judge/Executive Hershell Sexton's Response:

Am now aware of this problem and the solution it will be taken care of.

2007-08 The Fiscal Court Lacks Adequate Segregation Of Duties

The Fiscal Court lacks segregation of duties over all areas of the bookkeeping function because the Treasurer performs the following duties:

- 1) Prepares and makes bank deposits.
- 2) Prepares all checks for disbursement.
- 3) Records all transactions in the ledgers.
- 4) Reconciles the bank statements to the ledgers.

Normally, one person should not perform all the duties as outlined above. However, in this instance a limited staff prevents these duties from being assigned to different employees. We recommend the following compensating controls be implemented:

- 1) An employee, other than the Treasurer, should receive the bank statements unopened and review for any unusual bank transactions.
- 2) An employee should review the bank reconciliation prepared by the Treasurer.
- 3) The receipts journal maintained by the Finance Officer should be reconciled to the Treasurer's receipts ledger on a monthly basis.
- 4) The appropriations ledger maintained by the County Judge/Executive should be reconciled to the Treasurer's disbursements ledger on a monthly basis.

Supporting documentation should be initialed for review to verify that the compensating controls are in place.

County Judge/Executive Hershell Sexton's Response:

We are working on a procedure that will work for our limited personnel.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2007
(Continued)

STATE LAWS AND REGULATIONS:

2007-09 The Fiscal Court Should Ensure All Eligible Employees Are Receiving Retirement Benefits

We noted one employee of the Sheriff's office who appeared to meet the eligibility requirements for retirement benefits by working more than 100 hours a month. The Fiscal Court prepares the Sheriff's payroll. KRS 78.610 states employees who work an average of 100 hours per month or more must participate in the County Employees Retirement System (CERS) regardless of the employees' classification of part-time or full-time. Participation in CERS requires the employer to withhold 8% of the employee's gross wages. We recommend the county adhere to the requirements of KRS 78.610 and ensure all employees who are eligible for retirement benefits receive these benefits. This matter will be referred to the Kentucky Retirement System.

County Judge/Executive Hershell Sexton's Response:

The sheriff is now doing his own payroll and was advised many times about problem. He seemed to think that since he reimbursed the county for this employee, that it was his prerogative to not provide retirement.

2007-10 Cash Transfers Totaling \$305,815 Were Not Approved By The Fiscal Court

The Fiscal Court did not approve \$305,815 out of \$697,304 of cash transfers during fiscal year ended June 30, 2007. The Instructional Guide For County Budget Preparation and State Local Finance Officer Policy Manual states that all cash transfers require a court order and Fiscal Court approval. Cash transfers impact the receipts and expenditures of the county and should be reviewed and approved by the Fiscal Court. Therefore, we recommend the Fiscal Court review and approve all transfers.

County Judge/Executive Hershell Sexton's Response:

The fiscal court will review and approve all transfers.

2007-11 Appropriation Ledgers Were Not Maintained By The County Judge/Executive

The County Judge/Executive did not maintain appropriation ledgers independent of the Treasurer's. The Instructional Guide for County Preparation and State Local Finance Officer Policy Manual states that the appropriation expenditure ledgers are to be maintained independently by the office of the County Judge/Executive and the Treasurer. It also states that reconciliations should be made at least monthly in order to insure accuracy. We recommend the Fiscal Court implement procedures to be in compliance with the instructional guide.

County Judge/Executive Hershell Sexton's Response:

We are working on a procedure for this that will work with our limited personnel.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MENIFEE COUNTY FISCAL COURT

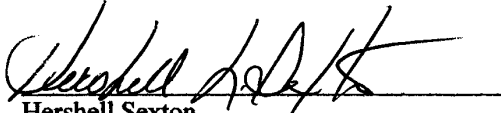
**For The Fiscal Year Ended
June 30, 2007**

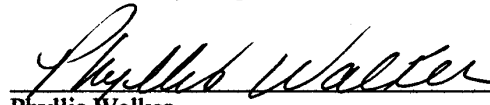
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MENIFEE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Menifee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Hershell Sexton
Menifee County Judge/Executive


Phyllis Walker
Menifee County Treasurer

